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Message Text

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11
ORIGIN NEA-12

INFO OCT-01 ADP-00 CPR-02 NSC-10 PA-03 RSC-01 SS-15

USIA-12 PRS-01 /057 R

DRAFTED BY NEA/ INS: EWGNEHM
4/27/73 EXT 20653
APPROVED BY NEA: AHMEYER
S/ CPR: JGUILBAULT(INFO)
S/ S - MR. MILLER
NEA/ INS: DHKUX
S/ PRS - MR. BRAY(INFO)
NEA/ P: JBRIGGS
---------- 056644
R 280059 Z APR 73
FM SECSTATE WASHDC
TO AMEMBASSY KATHMANDU
INFO AMEMBASSY NEW DELHI
AMCONSUL CALCUTTA

C O N F I D E N T I A L STATE 080513

E. O. 11652: DECLASSIFY 4 P. M. WASHINGTON TIME APRIL 30,
1973
TAGS: PFOR, NP
SUBJECT: AMBASSADOR KHANAL' S REMARKS TO PRESIDENT NIXON

1. FOLLOWING IS TEXT OF AMBASSADOR KHANAL' S REMARKS TO
PRESIDENT NIXON:

QUOTE: YOUR EXCELLENCY,

I HAVE THE HONOUR TO PRESENT TO YOUR EXCELLENCY THE LETTER
OF RECALL OF MY PREDECESSOR, MR. KUL SHEKHAR SHARMA, AND
THE LETTER OF CREDENCE WITH WHICH MY SOVEREIGN HIS MAJESTY
KING BIRENDRA BIR BIKRAM SHAH DEV HAS ACCREDITED ME AS
AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE KINGDOM
OF NEPAL IN THIS GREAT COUNTRY OF YOURS.
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HIS MAJESTY HAS COMMANDED ME TO CONVEY TO YOUR EXCELLENCY AT FIRST OPPORTUNITY HIS WARM PERSONAL REGARDS AND GOOD WISHES FOR THE HAPPINESS AND WELL- BEING OF YOUR PEOPLE AND THE CONTINUED PROSPERITY OF YOUR COUNTRY ON BEHALF OF THE GOVERN-MENT AND PEOPLE OF NEPAL AND ON HIS OWN.

NEPAL AND THE UNITED STATES OF AMERICA, THOUGH FAR APART, ARE CLOSELY LINKED BY VERY WARM AND CORDIAL FEELINGS OF FRIENDSHIP. THE UNITED STATES IS ONE OF THE MAJOR DONOR COUNTRIES FOR OUR DEVELOPMENT. AMERICAN ASSISTANCE HAS BEEN

CONSIDERABLE IN EDUCATION, AGRICULTURE, TRANSPORT AND OTHER AREAS OF NEPAL' S ECONOMIC DEVELOPMENT. T YORK WAS CAUSED BY FACT THAT THEIR ACCOUNT WAS HEAVILY
MARGINED BY NEW YORK FIRM LOEB, RHOADES. ARTICLE LISTS SEVERAL MEMBERS OF AMERICAN EMBASSY STAFF WHO INVESTED THROUGH SIAMERICAN AND OTHER PROMINENT FOREIGN INVESTORS. PAPER POINTS OUT THAI NATIONALS ALSO HOLD STOCKS VIA SIAMERICAN BUT SOURCES REFUSED TO IDENTIFY THEM BECAUSE THAI NATIONALS PROHIBITED FROM PURCHASING FOREIGN STOCKS. FINALLY, REPORT SAYS KIRKWOOD TOLD HIS CUSTOMERS HE SUSPECTS MRS. SHARON WADE- FARRELL, HIS MOST RECENT MANAGER, OF BEING BEHIND ALLEGED FRAUDULENT PRACTICES.

2. EMBASSY HAS LEARNED FROM VARIETY OF SOURCES THAT SIAMERICAN HAD BEEN IN FINANCIAL DIFFICULTY SINCE 1969 WHEN MANAGER AT THAT TIME ADVISED CUSTOMERS TO PURCHASE US GOVERNMENT BONDS ON FIVE POINT MARGIN. SEVERAL LOST CONSIDERABLE AMOUNTS BUT LEFT SIAMERICAN HOLDING THE BAG. SINCE THEN KIRKWOOD, SOLE OWNER OF THE COMPANY WHICH WAS CAPITALIZED AT $4000 HAS CONTINUED TO PUT MONEY INTO THE FIRM TO KEEP IT AFLOAT IN HOPES LOSSES COULD BE RECOUPED. SITUATION APPARENTLY FURTHER COMPLICATED BY MISMANAGEMENT AND PERHAPS FRAUD ON PART OF VARIOUS MANAGERS AND EMPLOYEES.

3. COMPANY ESTABLISHED OMNIBUS ACCOUNT WITH LOEB, RHOADES, IN NEW YORK PROCEDURE WHICH EMBASSY UNDERSTANDS MAYBE IN VIOLATION OF NEW YORK STOCK EXCHANGE RULES. SOME OF FUNDS FROM CASH CUSTOMERS MAY HAVE BEEN UTILIZED TO COVER ACTIVITIES OF OTHER CUSTOMERS OPERATING ON THE MARGIN.

4. KIRKWOOD CAME TO BANGKOK A WEEK OR 10 DAYS AGO TO ATTEMPT RESOLVE INCREASINGLY DIFFICULT SITUATION. HE APPARENTLY FIRED THEN MANAGER AUSTRALIAN MRS. SHARON WADE- FARRELL. THEN CALLED IN LARGEST CUSTOMERS TO ATTEMPT OBTAIN THEIR COOPERATION TO CONVERT THEIR ACCOUNTS TO MUTUAL FUND WHICH WOULD BE MANAGED BY LOEB, RHOADES IN EFFORT RECOUP LOSSES OVER PERIOD OF 6 MONTHS OR A YEAR. ONE OR TWO THESE CUSTOMERS APPARENTLY UNWILLING TO GO ALONG AND MAY HAVE BEEN CAUSE OF NEWSPAPER ARTICLE. ON APRIL 23 DIRECTORS OF SIAMERICAN, I. E., KIRKWOOD, DECIDED DISSOLVE COMPANY EFFECTIVE THAT DATE AND APPOINTED EMMITT AVERY AS LIQUIDATOR.
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5. AVERY, IN LETTER DATED APRIL 23, IS NOTIFYING ALL CUSTOMERS OF ABOVE EVENTS AND REQUESTS THEM NOTIFY HIM SOONEST OF THEIR CLAIMS , IN ANY CASE NO LATER THAN JUNE 15. AVERY APPARENTLY STILL HOPES OBTAIN THEIR AGREEMENT TO LEAVE THEIR FUNDS IN THE COMPANY TO PERMIT SALVAGE EFFORT.

6. ONE OF MAJOR CUSTOMERS, DR. TAVISAK, WHO HAD ACCOUNT WORTH ABOUT $55,000, HAS EMPLOYED INTERNATIONAL LAW ASSOCIATES, A JOINT ENTERPRISE BETWEEN AMERICAN STEVE CRONIN AND A THAI LAWYER, TO REPRESENT HIS INTEREST IN EFFORTS OBTAIN FULL COMPENSATION. THIS COMPANY HAS NOTIFIED SIAMERICAN ON APRIL 23 THAT DR. TAVISAK EXERCISE HIS RIGHT TO TERMINATE AGENCY RELATIONSHIP.

7. IT IS ALSO POSSIBLE THAT A FORMER DISGRUNTLED EMPLOYEE OF THE FIRM HAS PLANTED STORY IN THE NATION, A NEWSPAPER THAT IN ANY CASE HAS PREVIOUSLY BEEN CRITICAL OF KIRKWOOD AND HIS COMPANIES.

8. COMMENT: IT APPEARS KIRKWOOD HAS OVER SEVERAL YEARS GOTTEN HIMSELF INTO COMPLICATED LEGAL AND FINANCIAL BIND WHICH FINALLY CULMINATED IN PRESENT CRISIS. HE MAY NOT BE LEGALLY OBLIGATED COMPENSATE ALL HIS CUSTOMERS FULLY AND HE HIMSELF MAY HAVE BEEN VICTIM OF FRAUDULENT PRACTICES AND MISMANAGEMENT. EMBASSY ATTEMPTING OBTAIN ADDITIONAL INFORMATION ON BASIC ISSUES. WILL DO ALL WE CAN WITHOUT BECOMING DIRECTLY INVOLVED TO FACILITATE RAPID SOLUTION OF CASE IN EFFORT AVOID ANY FURTHER DAMAGE TO GENERALLY EXCELLENT REPUTATION ENJOYED BY US COMPANIES IN THAILAND.
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